<u>REMARKS</u>

Claims 50-75 stand rejected. Claims 50, 52-54, 56-59, 61-63, 65-67, 69-72 and 74-75 have been amended. Claims 51, 55, 60, 64, 68 and 73 have been canceled. Claims 76-79 have been added. The Applicants respectfully request reconsideration in view of the foregoing amendments. No new matter has been added.

Miscellaneous Claim Amendments

Claims 52-53, 56-59, 61-62, 65-66, 69-72 and 74-75 have been amended solely for the purposes of clarity and/or proper antecedent basis. No new matter is introduced.

Claim Rejections – 35 U.S.C. § 102

Claims 50-75 were rejected as being anticipated by certain passages in a book entitled "Implementing Value At Risk" by Philip Best that was published in 1998 by John Wiley & Sons, Ltd (UK) (hereinafter "Best").

Claim 50 as now amended recites an automated method for managing risk associated with a plurality of financial positions. Specifically, for each of the plurality of financial positions, the method includes the steps of (i) receiving information indicating entry into the financial position, the financial position having at least one risk factor; and (ii) automatically performing at least one hedging transaction at substantially the same time as the financial position is entered. The at least one hedging transaction removes the at least one risk factor from the financial position, resulting in a substantially risk-free position. Amended claim 63 is the system counterpart that recites similar features.

Claim 54 as now amended also recites an automated method for managing risk associated with a plurality of financial positions. Specifically, for each of the plurality of financial positions, the method includes the steps of (i) receiving information indicating entry into the financial position, the financial position having a plurality of risk factors; and (ii) automatically performing a plurality of hedging transactions at substantially the same time as the financial position is entered. Each of the plurality of hedging

transactions removes a respective one of the plurality of risk factors from the financial position, resulting in a substantially risk-free position. Amended claim 67 is the system counterpart that recites similar features.

Accordingly, the claimed invention enables automatic removal of risk factors associated with a plurality of individual financial positions upon entry in substantially real time. By hedging financial positions upon their entry, the claimed invention achieves substantially riskless positions. Where the financial position has at least one risk factor, this feature is recited in claims 50 and 63 as a method and structure, respectively, for automatically performing at least one hedging transaction at substantially the same time as the financial position is entered, the at least one hedging transaction removing the at least one risk factor from the financial position. Where the financial position has a plurality of risk factors, this feature is recited in claims 50 and 63 as a method and structure, respectively, for automatically performing a plurality of hedging transactions at substantially the same time as the financial position is entered, each of the plurality of hedging transactions removing a respective one of the plurality of risk factors from the financial position. Support for claims 50, 54, 63 and 67 as now amended can be found at least in FIGS. 1-2 and the specification as originally filed on page 3, line 21 to page 4, line 6; page 7, line 14 to page 8, line 12; and page 9, line 14 to page 10, line 13.

In contrast, Best discloses hedging of a financial position. Specifically, Best discusses hedging a foreign exchange option by writing a Rand option that removes both Rand and delta risk exposures. (see Best: page 28-29). However, Best does not teach or suggest automatic removal of risk factors associated with a plurality of individual financial positions upon entry (e.g. in substantially real time), resulting in substantially riskless positions as recited in claims 50, 54, 63 and 67.

What has been generally known is to remove some, but not all, risk factors. For instance, one may want to buy the stock of a French company listed on the French stock exchange. The buyer of that stock may like the prospects for the company but does not

like the prospects for the EURO, which is the denomination currency of the stock. That buyer may choose to hedge away his currency risk to the EURO in order to just maintain an exposure to the prospects of the company but not to the prospects of the currency.

Furthermore, as discussed in the Background of the specification as originally filed, most financial institutions strip out risk periodically in batches or on a per portfolio basis. By hedging upon entry into the financial position, the claimed invention can maintain substantially riskless positions all of the time and avoid intraday risk exposures that such batch trading introduces. As such, the claimed invention, can enable a financial institution, for example, to concentrate on deriving profits on the financial position itself, while substantially eliminating the risk of open positions.

For at least this reason, Best does not teach or suggest automatically performing one or more hedging transaction at substantially the same time as a financial position is entered in order to remove the risk factors associated with that position, as now recited in claims 50, 54, 63 and 67 respectively.

Furthermore, by virtue of their dependency upon claims 50, 54, 63 and 67, respectively, and the additional features recited therein, 52-53, 56-59, 61-62, 65-66, 69-72 and 74-75 are also patentable.

Moreover, claim 61 as now amended is directed to a method of automatically hedging risk in a financial position resulting from entry into an FX forward contract. The method comprises automatically performing a first hedging transaction to remove an interest rate risk and a second hedging transaction to remove an FX risk. In particular, the first hedging transaction comprises borrowing money in said first currency through a money market loan transaction to be payable on said delivery date and depositing money in said second currency through a money market deposit transaction to be received on said delivery date. The second hedging transaction comprises executing a spot transaction between said first currency and said second currency. Claim 74 is a system counterpart reciting similar features. Support for claims 61 and 74 can be found at least in FIG. 3 and in the specification as originally filed on page 10, line 14 to page 11, line

16. In contrast, the "Worked Example" in Best, which is cited in the Office Action, merely suggests writing a option as opposed to the automatically performing the hedging transactions recited in claims 61 and 74. For at least this additional reason, claims 61 and 74 are also patentable.

Claim 62 as now amended is directed to a method of automatically hedging risk in a financial position resulting from entry into a gold lease. The method comprises automatically performing a plurality of hedging transactions to remove a collateral risk, an interest rate risk and an FX risk from the corresponding financial position. Specifically, the collateral risk is derived from the possibility that the client won't return the deposited gold and is removed by executing a zero-coupon gold deposit to be payable on said delivery date of the lease. The interest rate risk is removed by executing a note, which is due on said delivery date of the lease, that requires periodic interest payments to be made in said first currency and executing a zero-coupon loan in said first currency to be paid on said delivery date. The FX risk is removed by executing a spot transaction between said first currency and a second currency. Claim 75 is a system counterpart recited similar features. Support for claims 62 and 75 can be found at least in FIGS. 4a and 4b and in the specification as originally filed on page 11, line 1 to page 13, line 3. Best does not teach a system or method for automatically hedging the risk factors associated a gold lease at all. In the passage cited by the Office Action, Best merely refers to the "price of gold" and "zero coupon yield curves" to identify risk factors. (see Best, page 105). For this additional reason, claims 62 and 75 are also patentable.
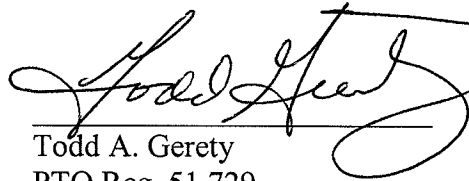
New Claims 76-79

New claims 76-79 are directed to systems and methods respectively in which the one or more hedging transactions are assigned to a corresponding risk book that is associated with the risk factor removed from the financial position. Support for these claims can be found at least in figs 1-2 page 8, line 13 to page 9, line 13; and page 9, line 14 to page 10, line 13.

By virtue of at least their dependency upon claims 50, 54, 63 and 67 respectively and the additional features recited therein, claims 76-79 are also patentable.

CONCLUSION

In view of the above amendments and remarks, it is believed that claims 50, 52-54, 56-59, 61-63, 65-67, 69-72, and 74-79 are in condition for allowance, and it is respectfully requested that the application be passed to issue. If the Examiner feels that a telephone conference would expedite prosecution of this case, the Examiner is invited to call the undersigned.

Respectfully submitted,

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Todd A. Gerety
PTO Reg. 51,729
Attorney for the Applicants
Proskauer Rose LLP
Tel. (617) 526-9655
Fax (617) 526-9899

One International Place
Boston, MA 02110